

# The First 100 Days



The Murkowski-Leman Administration



## *The Office of* **Governor Frank H. Murkowski**

### **Our First 100 Days** *A report to Alaskans*

My Fellow Alaskans:

Your new Administration in Juneau is hard at work on your behalf and I believe we've accomplished much during our first 100 days in office. Our most significant accomplishment is the fiscal year 2004 Budget proposal, presented to the Legislature in two parts:

1. In the State of the State address on Jan. 21, I identified our emphasis on facilitating economic development and the many options we are pursuing to accomplish this.
2. In my State of the Budget remarks on March 5, I described the collective belt-tightening and other sacrifices that Alaskans would have to make in the near-term, while we work to achieve a sustainable future for the state.

Our goal is to build a robust, growing economy with good-paying job opportunities, so that our young people may choose to stay in Alaska. Our mission is to generate sufficient state revenue to fund quality education, public safety, reliable transportation and the availability of health care and other necessary services.

From day one, this Administration's focus has been on increasing the volume of oil in the pipeline. The reason for this is simple: more oil means more revenue into the state treasury. At the same time, we are seeking opportunities to maintain and enhance the fishing industry, bring back a viable timber industry, promote mining investments and increase tourism.

While these objectives won't be achieved overnight, our initiatives bring closer the day when the economic potential of our resources will be realized.

In the meantime, we have to conserve Alaska's economic resources. Of the \$6.9 billion that was deposited over the years into the Constitutional Budget Reserve (the state's savings account), only \$1.9 billion remains today. Were this Administration to continue spending at levels as has been done in the past and withdraw excessive amounts from the CBR, our savings would be gone in two years and Alaskans would face a major fiscal crisis.

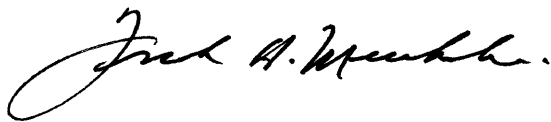
To avoid this, the Administration has sought to spend less general fund dollars in FY04 than are being spent in the current year, and to limit withdrawals from the CBR to no more than \$400 million dollars – well below the \$1.1 billion projected during the previous administration.

Our Fiscal Plan achieves our objective of reducing the rate of growth of state government. The proposal actually reduces overall spending by \$55 million less than will be spent this year. Our proposal neither calls for a state income tax or the use of your Permanent Fund dividend to achieve its goals. But make no mistake, our plan involves some sacrifice from all Alaskans.

Please take a minute to review the accomplishments of the first 100 days along with the brief explanations. Understand that each of these measures fits into our comprehensive fiscal plan to work towards a balanced budget and an efficient, effective government operation.

We welcome your comments about the information provided here.

Sincerely,

A handwritten signature in black ink, reading "Frank H. Murkowski". The signature is fluid and cursive, with a large initial "F" and a long, sweeping underline.

Frank H. Murkowski



*Governor Murkowski and his new Administration are working cooperatively with the men and women of the Alaska Legislature to address the state's budget challenges while providing the services that Alaskans need and want.*

## EDUCATION:

- Appointed a state Board of Education & Early Development that is committed to quality schools and a quality education.
- Fully funded the public school foundation program to guarantee a quality education for all children.
- Put the federal government on notice that the Murkowski Administration is committed to the federal No Child Left Behind Act, but requires flexibility in holding every school accountable for results.

## FISH & GAME:

- Proposed the streamlining of Habitat Title 16 permitting, moving this responsibility from ADF&G to the Department of Natural Resources while maintaining scientific, habitat-related research and Title 16 permitting for Special Areas at Fish and Game.

This streamlining of the permit process, scheduled to go into effect on April 15, will be accomplished without sacrificing environmental protections for fish and wildlife habitats.

- A proposed an 8 percent reduction in general fund expenditures for the Department of Fish and Game. A majority of these reductions will occur in the Division of Commercial Fisheries, which receives over 80 percent of the general fund allocations to the department on an annual basis. These reductions will be achieved through attrition and increased reliance on federal funds where possible. We do not anticipate significant changes in or elimination of current commercial fisheries management programs under this budget. The department is working closely with newly appointed Board of Fisheries and Board of Game members appointed by the Murkowski Administration.

- Made an initial assessment of the department's vessel program for ef-

ficiencies, and will be further considering more efficiencies over the next year, while stepping up its commitment to work with the mariculture industry as part of an overall economic development strategy.



*Governor Murkowski and Brig. Gen. Craig Campbell, his Alaska National Guard Adjutant General, toured Anchorage and the Matanuska-Susitna Borough in March to review the effects of 100 mph-plus windstorms and to report to the news media on the extent of the damage.*

## **PUBLIC SAFETY:**

- Made an assessment of the State's aircraft fleet which will result in a net reduction of aircraft while improving the working ability of the fleet and reducing annual operating costs.
- Began process of moving towards a focussed, pro-active approach to enforcement efforts by identifying specific needs to be addressed versus a traditional reactive model. For example, targeted alcohol and drug enforcement efforts in rural areas will help address a myriad of issues in rural communities.
- Instituted a foundational approach assessment of department priorities to ensure that our resources are being used in a manner that meets our objectives in making communities safe.
- A departmental reorganization review is ongoing to help get the most from its resources while realizing efficiencies.

## **CORRECTIONS:**

- Department initiated reorganization under Administrative Order No. 207. This order makes the department more efficient by eliminating duplicative positions in middle management.
- Anchorage Jail and Cook Inlet Pre-Trial facility are in the process of being combined to achieve further administrative savings.
- Prisoner Health Plan policy is being changed to provide for differing and more appropriate standards of care for un-sentenced and sentenced prisoners. Currently, there is no difference in the standard of care offered to prisoners serving two-week sentences and prisoners serving 20-year sentences. The effect is that short-term prisoners present themselves with minor medical issues or medical issues that have plagued them for months for which they have not sought treatment. Medical staff are





*Drawing from a wide range of Alaskans with broad experience in their professional fields, Governor Murkowski has assembled an energetic, dedicated Cabinet dedicated to helping achieve his vision for Alaska and to serve all Alaskans.*

compelled to treat the short-term offenders, and this has driven costs up. Under the new policy, short-term prisoners will be provided with necessary emergency care only.

- DOC is implementing a billing process to pursue charges for medical services provided from offenders covered by outside insurance. Total savings to be realized by the implementation of this policy are speculative, but are estimated conservatively at \$100,000.

- Established an internal auditor position in the Office of the Commissioner. This new position gives the Commissioner the ability to measure efficiency in each of the department's programs and operations. A newly established audit team comprised of members of department management met and determined an audit schedule - a prioritized list of programs to be audited.

- Division of Community Corrections was renamed the Division of Probation and Parole. Although only a name change, this clarifies this key division's role for the public. There was confusion historically as to whether this division supervised halfway houses, or some other program in the community.

- Corrections Training Academy was placed under the supervision of a special assistant in the Office of the Commissioner. Steve Smith, who formerly headed training for the Anchorage Police Department, was appointed to this position to revamp the Academy curriculum for training of correctional and probation officers, as well as training for department support staff. Until recently, prisoners being transferred between Anchorage and Fairbanks were flown on chartered planes with correctional officer escorts. The transportation unit is now moving prisoners via vans, transferring the prisoners at a mid-point. This change saves the state \$30,000 per year.

## DEPARTMENT OF REVENUE:

- Moved the state Alcoholic Beverage Control Board from the Department of Revenue to the Department of Public Safety for stronger and more efficient enforcement of the state's liquor control laws.

- Held a successful meeting with bond rating agencies in New York City in February, presenting the case to maintain Alaska's high credit rating for the upcoming general obligation bond issuance.

- The Alaska Permanent Fund Corporation Board of Trustees adopted a resolution in February calling for an investigation of North Slope operating practices and transportation tariffs that may be limiting the amount (and value) of oil produced from state leases.

- Alaska Child Support Enforcement Division collections for December 2002 and January and February 2003 are up 8 percent from the same period a year ago, as the Division continues on pace to another record year for collections in FY03.



*OMB Director Cheryl Frasca (left) and DEC Commissioner Ernesta Ballard worked closely to craft policies that will help state government operate more efficiently, while protecting Alaska's environment.*

## ENVIRONMENTAL CONSERVATION:

- Managing and measuring risk based on applied science, for programs such as fish monitoring. Nationally, there is a perceived risk to eating seafood based on findings of mercury in certain fish. With funding from EPA and in partnership with DEC, the National Oceanic and Atmospheric Administration is analyzing over 600 samples of Alaska salmon, halibut, Pacific cod, sablefish, black rockfish, lingcod, and pollock for heavy metals.

- DEC is also studying the effects of diesel fuel in rural areas to determine the level of risk posed to residents and whether the switch to ultra-low diesel fuel required by the Environmental Protection Agency will be advantageous and cost-efficient in rural Alaska.



*As a long-time advocate for using Alaska's North Slope oil and gas to provide revenue for the state and energy for the nation and world, Governor Murkowski has been a leading proponent of state and federal efforts to open the Coastal Plain of the Arctic National Wildlife Refuge to exploration.*

## **NATURAL RESOURCES:**

- Collected \$760 million in oil revenues in FY03 through February 2003 compared to \$501 million in FY02!
- Outlined Executive Orders for Habitat and Coastal Zone Management to streamline permitting.
- Outlined legislation to restructure the permitting organization within DNR.
- Continued to process a record workload in our Recording Office to accommodate the refinancing of Alaska mortgages.

## **DIVISION OF OIL & GAS:**

- Coordinated with Pioneer Resources to unitize acreage now being drilled offshore North Slope.

- Poised to award 42 shallow natural gas leases on 152,383 acres by early April 2003.

- Startup of production from the Redoubt Shoals oil field, the first major oil discovery in Cook Inlet in 10 years. Production is expected peak at 15, 000 bbls/day.

- Issued 46 leases covering 213,374 acres in the North Slope Foothills and awarded 15 leases in the Beaufort Sea covering 19,226 acres.

## **DIVISION OF AGRICULTURE:**

- Sold Tract 19, the last Agricultural Revolving Loan Fund (ARLF) asset parcel on Pt. McKenzie at an outcry auction for \$300,000, which was \$94,000 above the appraised value.
- Board of Agriculture & Conservation held two public hearings on the future and continuation of the Mt. McKinley Meat & Sausage Plant, coordinated with the Department of Corrections which runs the plant, and is planning a process to provide stability.
- Division of Agriculture has implemented an Alaska Grown print and media ad campaign to support current potato, carrot and milk producers. We have prepared a similar campaign



to support fresh produce as it comes to market.

- Cooperative Marketing Program received proposals and has begun the award process for matching grants to local producers to promote Alaska products. There were 28 applicants and 18 grants awarded for a total of \$53.9 million.



*Through frequent consultations and meetings, Governor Murkowski and the members of the Alaska Legislature have worked cooperatively during the Administration's first 100 days.*

## TRANSPORTATION / PUBLIC FACILITIES:

- In December, Governor Murkowski ordered the Department of Transportation and Public Facilities to re-start the Juneau Access EIS and deliver a completed EIS with a record of decision by the fall of 2004. The goal is to bring our third largest city closer to the rest of the state, make state government more accessible and significantly reduce travel costs.

- Maintenance has been reestablished on the Dexter Bypass, Glacier Creek, Osborne, Big Hurrah, Ophir Creek, Pilgrim Hotsprings and Wooley Lagoon roads. Maintenance will resume on the Denali Highway, Fairbanks Creek, Faith Creek, Sourdough Creek, Eagle Creek, Miller / Harrison Creed, Porcupine

Creek, Eureka and Tofte Roads. Three maintenance stations, Kalsin Bay, Birch Lake and Chitina, were reopened.

- Rural airport maintenance restored at Whittier, Kasilof, Ninilchik, Quartz Creek, Lawing, Goose Bay, Sheep Mountain, Clear, Chistochena, Circle, Circle Hot Springs, Wiseman, Dahl Creek, Summit, Boundary, Livengood, Salmon Lake, Copper Center and Tazlina.

- The Governor's Industrial Roads Program is targeting road building opportunities that will advance resource development. Several projects have been identified that will aid oil and gas development in northern Alaska and gold development in the Kuskokwim River and Seward Peninsula regions.

- Also intend to expand the road network to link communities. Called the Community Access program, such connections will foster better local economies, reduced costs for government services, and make basic shop-



*Brig. Gen. Craig Campbell answers questions on homeland security and disaster preparedness from Anchorage reporters following his appointment as commissioner of the Department of Military and Veterans Affairs.*

ping, medical and other personal trips affordable for Alaska families.

- Governor Murkowski established a Marine Transportation Advisory Board to formalize the process of schedule development by the Alaska Marine Highway System and to provide recommendations to the Commissioner of DOT&PF on public policy relating to Alaska's Marine Highway. The Governor also created an Aviation Advisory Board that will review the state's aviation system and recommend how DOT&PF's aviation programs can better serve communities and support economic development.

## MILITARY & VETERANS AFFAIRS:

- Reorganized the Department to establish a Division of Homeland Security with a position from each of the following departments: DOA, DHSS, DPS, DEC, and DOT/PF.
- Reorganization also merged the Division of Emergency Services under the Assistant Commissioner of Homeland Security and Emergency Services with a support office providing administrative and financial support to both divisions. The Division of Homeland Security plays a major role in coordinating the State's response to terrorism threat levels. The Order realigned the chain of command by establishing the Office of Deputy Commissioner for better day to day continuity within the principal functions of the Department.

## LABOR & WORKFORCE DEVELOPMENT:

- Responded to closures of Wards Cove and K-Mart stores by providing range of services to laid off employees.

- Provided Temporary Extended Unemployment Compensation for qualified Alaskans (13 additional weeks of unemployment insurance benefits).

- Created the Division of Business Partnerships to better address the needs of Alaska employers and to train Alaskans for Alaska jobs.

- Streamlining and reducing Alaska's Workforce Investment Board system, in order to go from three boards with a total of 56 members to one board of 26 members. This will better address state needs.

- Consolidating workforce areas with Alaska Regional Development Organizations (ARDORS) and Economic Development Councils.

- Partnered with the Seafarers International Union (SIU) to recruit and train dislocated workers from Alaska for careers in the U.S.-Flagged merchant marine. Approximately 20 dislocated



*As part of the Murkowski Cabinet's program to educate Alaskans on the need to support the governor's budget, OMB Director Cheryl Frasca answered questions from callers on the popular Anchorage talk-show, "The Rick Rydell Radio Program."*

workers a month will be the trained for a total of 360 good-paying jobs for Alaska seafarers.

- Helped Wards Cove Processing and Cook Inlet Processing apply and qualify for Trade Adjustment Assistance, which allows their workers to qualify for trade benefits including reemployment and retraining opportunities, job search and career counseling, job placement and relocation allowances.

- Ordered and implemented a safety inspection of all Department of Labor facilities; addressed health, safety and training concerns with all employees. Provided emergency situation training to all employees.

- Developing a Memorandum of Understanding between the Department of Labor and Workforce Development and domestic processors to ensure that



*From the first days of his administration, Governor Murkowski has worked hard to put policies in place that are aimed at preserving young Alaskan's opportunities for a bright future in their home state.*

better efforts are made to increase the number of Alaskans working in the processing industry. A large number of processor employees are Alaskans.

- Established an ad hoc committee consisting of representatives of management, labor and state officials to develop legislation to increase the state's weekly unemployment benefits.

- Developed strong working relationships with Alaska's minority communities in order to provide job placement for minorities in the Administration.

- Lobbied national labor leaders on ANWR and gained their support for opening ANWR for oil and gas exploration.

## ADMINISTRATION:

- Reached tentative agreements with ten of the 12 State employee bargaining units, on contract terms for the next year. They include: Alaska Public Employees Association Confidential Employees Unit; Alaska State Employees Association; Inland Boatmen's Union; Public Safety Employees Association for State Troopers; PSEA for Correctional Officers; Public Employees Local 71, Labor, Trades & Crafts; Alyeska Central School Employees Association; Mt. Edgecumbe Teachers Association; Supervisory Unit; and Alaska Vocational and Technical (AVTEC) employees.

- Worked with the Department of Health and Social Services to implement an innovative restructuring and program realignment of Senior Services and Longevity programs that will enable the state to offer better service more efficiently.

- The Division of Motor Vehicles has begun improving service by developing more effective partnerships with private automobile dealers and implementing a digital driver licensing system.

- Worked with other agencies to develop a plan to save more than \$3 million in leasing and other procurements in FY04.



## HEALTH & SOCIAL SERVICES:

- Department of Health and Social Services is implementing a major reorganization to integrate health and social services provided to Alaskans. The new organization will provide better customer service, achieve efficient coordination and management of multiple health and human services, maximize benefits from existing resources, and maximize use of federal funding to provide these services.

- Office of Program Review was established, using existing positions, to ensure that DHSS programs accomplish their goals, and to help divisions find ways to refinance programs to ensure that services continue during difficult financial times.

- A new Division of Senior and Disabilities Services provides a full range of care for Alaska seniors and disabled Alaskans in one agency. The people DHSS serves get improved access to a continuum of services that seniors and people with disabilities need.

- A new Division of Behavioral Health provides a comprehensive array of mental health and substance abuse services. The people DHSS serves get better customer service because service



*By taking the steps necessary to build a strong economy for the state, Governor Murkowski is helping provide young Alaskans the opportunity for a brighter future.*

delivery is more efficient and treatment is integrated.

- Elevated the responsibility for protecting Alaska's children to a Deputy Commissioner, the new Office of Children's Services provides a more well-rounded system to help families keep their children safe and healthy. Children's Services includes several child health programs as well as child protective services formerly in the Division of Family & Youth Services.

- A central element of the Department's reorganization is the decentralizing of Medicaid funding from the former Division of Medical Assistance, and moving appropriate funding to the various divisions that deliver Medicaid services. Division directors are empowered to manage the Medicaid funding, and held accountable for financial and programmatic management of the funds.



## DEPARTMENT OF LAW:

- Buspar and Taxol multi-state antitrust lawsuits reached settlement in principle. Alaska joined in these two settlements which totaled over \$150 million nationwide. The cases involved allegations of illegal conduct to keep generic competition off the market for two of Bristol-Myer's most popular drugs. The Buspar settlement was for \$55 million. Alaska's portion of that money is not yet determined. The Taxol settlement was for \$93 million. As with Buspar, the money will be used to pay back affected state agencies, consumers, attorney's fees, and a portion of the funds will come to the state as "penalty" money we will earmark for consumer protection, education, and enforcement. Alaska's total share of the funds will likely be about \$200,000.

- State v. Payless Car Rental settled in March 2003 for \$100,000. This action successfully resolved a two-year investigation of Payless for overcharging consumers for damage repairs. From these funds, about \$40,000 will be paid as restitution to affected consumers, and \$60,000 will be retained by the state for consumer protection, education and enforcement.

- K-Mart bankruptcy resulted in action by the Department of Law to



*Governor Murkowski visits with Nome Mayor Leo Rasmussen while waiting below the famous burled arch on Nome's Front Street for the conclusion of the Iditarod Trail Sled Dog Race.*

prevent fraud and misrepresentation during the liquidation process. We received complaints by consumers about price adjustments followed prices on merchandise, then slashed them under the guise of a liquidation savings.

- Greenpeace, et al. v. National Marine Fisheries Service (NMFS). Greenpeace alleges in this case that some of the groundfish fisheries off Alaska do not comply with the National Environmental Policy Act and the Endangered Species Act. We moved to intervene so that Alaska will have the rights of a party in this litigation to represent and protect the unique interests of the state in its revenue, economy, and fishery management authority.

- In February, state attorneys presented their legal arguments in the U.S. Supreme Court case Alaska v. United

States, Original No. 128. In this case, the State asserts that it holds title to the submerged lands surrounding the mainland and islands of the Alexander Archipelago in Southeast Alaska, including those within the boundaries of Glacier Bay National Monument and the Tongass National Forest at statehood.

- The Administration submitted to the Secretary of the Interior Alaska's first application for a "Recordable Disclaimer of Interest." The application was for the submerged lands of the Black River in Interior Alaska. New amendments to BLM regulations permit states to ask that BLM to evaluate federal title in a particular area and to disclaim interest on behalf of the United States if appropriate. Alaska is interested in using the process to definitively establish title to lands underlying its many navigable rivers and lakes.

- The state filed a limited appeal of the Regulatory Commission of Alaska (RCA) order lowering intrastate tariffs on the Trans-Alaska oil pipeline and we have begun engaging the pipeline owners in discussions about future pipeline rates. The decision has the potential to cost the state more than \$20 million dollars in lost royalty and production tax revenues. The state is a party to the pipeline tariff and must abide by its long-term agreements to make sure investors in Alaska view the state as a reliable partner in future oil and gas development

- The state succeeded in getting the United States Supreme Court to uphold the Alaska Sex Offender Registration Act. This law requires convicted sex offenders to register, and that puts their pictures and other identifying information on the Internet. On March 5, 2003, the Supreme Court held that because the Act is nonpunitive, its retroactive application does not violate the ex post facto clause. We immediately filed a motion to have the injunction lifted in the class action case in federal district court in Alaska so as to enable the Department of Public Safety to get the full registry back in operation.

- The Criminal Division has conducted two first-degree murder trials since January 1, 2003, and both ended with guilty verdicts on all counts. The most recent was the case involving the murder of the Coast Guard commander on St. Paul Island. The trial took place on St. Paul Island in the Pribilof Islands about 775 miles from Anchorage.

- The trial of the man who shot a rifle at and damaged the Alaska Oil Pipeline concluded in December with guilty verdicts on all counts. The Criminal Division, with the assistance of two retired prosecutors and a private attorney retained by the Alaska Legislature, just completed in January the trial-evidentiary hearing in defense of Alaska's parental consent abortion statute. The case is now awaiting a decision.

## COMMUNITY & ECONOMIC DEVELOPMENT:

- Reduced departmental budget by \$7.2 million;
- Realigned department to improve responsiveness to constituencies;
- Increased revenue opportunities of \$8.5 million (increase business license fees);
- Initiated Statewide Rural Economic Development Strategy program, which was coordinated with all state resource agencies, including the Department of Labor and Workforce Development;

Assumed key roles in following policy issues:

- internal water permits (foreign processors issue);
  - insurance (credit scoring, health care);
  - Bristol Bay commercial fishing permits;
  - CDQ Occupational licensing (sunset extensions and legislation);
- Revised banking procedures.

## ALASKA AT THE CROSSROADS

### FACING THE HARD DECISIONS

*On Sunday, March 30, Gov. Murkowski took his budget message to the people of Alaska during a 30-minute presentation on the state's ABC affiliate, the Alaska Super Station. Following are excerpts from the governor's remarks:*

***Murkowski:***

"Life is one long series of choices – and the ones we make determine the quality of our lives.

"Some of our choices are easy, others very tough.

"It's often those easy ones that make life more difficult. While a very tough decision often will result in making life easier.

"Having the courage to make hard choices is what I want to talk about this evening. My Administration has promised Alaskans:

- Not to institute a State Income Tax;
- Not to break into your Permanent Fund Dividend;
- And to hold to a minimum the use of the Budget Reserve savings account for annual state spending.

"I intend to keep these commitments. To do so requires making a number of hard choices:

- To eliminate and reduce funding for some state programs;
- To require people to pay a little more for the services they want;
- And to maintain economic stability until the wealth from our natural resources accumulates, and we can consider adding back those non-essential extras that are "nice to have."

"No doubt, the easier choice would be to simply coast along as we have in past years:

- Depleting the Budget Reserve until there is no more in that savings account;
- Enacting a State Income tax and creating a hardship for working families;
- And eventually dipping into the Permanent Fund dividend program until it, too, disappears.

"Our state is at a fiscal crossroads. We can make the hard choice, or we can make the easy one. The direction we go will determine the kind of community we leave for future generations.

"Is Alaska to be a place where people are dependant on government handouts; where government itself is the largest employer; and where people who work for a

living are burdened with huge taxes?

“Or can we be a state of self-reliant people, with good paying jobs, less government and minimal taxes?

“I know which Alaska I want to see, and I bet it’s the same one you do.

“In early March I presented to the Alaska Legislature my budget plan for putting the brakes on state government spending.

“I won’t over-state it by calling it: “Shock and Awe,” but based on the reaction we’ve heard to date:

- Some people were shocked to see that we would actually propose to eliminate programs and delete state jobs,

- While others said they were in awe that a politician intended to fulfill a campaign promise.

“Our budget proposal generated many comments from Alaskans.

Some are supportive. Some object. And a good number of people have questions.

“Legislators have also received a lot of comments from Alaskans. It would concern me if Alaskans did NOT want to talk with their legislators about the budget, or the many other issues under consideration.

“Citizens should exercise their Constitutional Right and freely petition their government. The Legislature sets public policy through the laws it enacts. The public should be actively involved in that process.

“The administration started the ball rolling by submitting our budget recommendations for the Legislature’s consideration. The proposal is based on our best estimates of what is required to provide the programs and services Alaskans need.



*First Lady Nancy Murkowski, who the governor often credits as one of his best political advisors, enjoys traveling and meeting with Alaskans like this young mother and baby in Nome.*

“Our budget reflects the new direction in the state’s approach to spending that I believe the public backed in the results of the last election. It is the first budget submitted in Alaska that contains real budget reductions from a previous fiscal year.

“Unfortunately, even with our proposed reductions, we still would spend more than project-





*After mushing more than 1,000 miles to raise awareness of the need for stronger educational standards, Iditarod Trail Sled Dog Race musher Rammy Brooks accepted Governor Murkowski's congratulations on Nome's Front Street for his second-place finish.*

ed revenues can support. As a consequence, we must continue to draw down our state savings account – the Constitutional Budget Reserve.

“Alaska has little choice but to continue doing this until the economy and new resource development kick into gear. However, for the Reserve Account to last as long as possible, we must keep withdrawals to a minimum.

“That’s why we looked at some minimal increases in taxes and user fees, as well as reductions in

state spending, programs and staffing levels.

“Not all of the changes we asked for will have to be permanent. We certainly can revisit them at a later date when the state’s fiscal picture improves.

“As I told the House Majority on March 26th, they and their colleagues have the flexibility to rearrange the budget as they see fit. That’s fine with me, as long as they stay within our targets.

These targets include:

(1) Spending less than the state spent last year, (we propose a net \$55 million reduction);

(2) And keeping the CBR draw under \$400 million.

“Regarding our modest tax and user fee increases, I believe they are fair and equitable. Nobody likes paying taxes, and nobody is going to volunteer to pay more for a state service than they are paying now, or which they get for free. Likewise, nobody who receives a free benefit wants to see it go away.

“That’s why these are all hard choices to make – for me, and for your legislators.

“We know we can continue to make the “easy choice” and deplete the CBR to fuel the growth of government for another year or so. Or, we can cut government spending now. That is the tough decision, but it’s the one which I am prepared to defend.

“Alaska IS at a crossroads today. It is time to make the tough decision. Working together, we can bring down state spending to a level we can live with, while we concentrate on developing our natural resource potential and build that future we all want to see.

“Thank you for your time, for your understanding, and your support.”

